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SUBJECT: Minsk Expects Big Profit from Kyoto Protocol

¶1. (U) Summary: On September 23, Econoff met with Deputy Minister of Natural Resources Aleksandr Apatskiy to discuss Belarus' plans after acceding to the Kyoto Protocol, and its plans in general to reduce greenhouse gas emissions. President Lukashenko signed the Kyoto Protocol into law in August, to take effect November 24. Minsk hopes to profit from the sale of pollution rights as its industrial production and greenhouse gas emissions plummeted after the USSR collapsed. Apatskiy also described Belarus' early efforts to promote alternative fuels, particularly peat, firewood and wind. End summary.

¶2. (SBU) On August 15, President Lukashenko signed a decree for Belarus to join the Kyoto Protocol, effective November 24. According to Apatskiy, in 1990 Belarus emitted 112 million tons of greenhouse gases. By 2004 this had been cut in half to 56 million tons. Apatskiy claimed this drastic reduction was due to GOB programs to modernize industry and reduce pollution. [Comment: While there may be some truth to that, Belarus has been modernizing some of its obsolete early Soviet-era power plants and factories, most of this decrease is due to a drop in industrial production since the end of the Soviet Union.] In October a group of "international experts" were due in Belarus to confirm this level of emissions. The Ministry of Natural Resources hopes the first Kyoto Protocol conference will confirm Belarus' drop in emissions, opening the door to the sale of pollution rights.

¶3. (U) The GOB hopes to profit from selling pollution rights. GOB officials told the press the country could earn from USD 375 million to USD 1.5 billion annually. Apatskiy was a little less optimistic in person. His ministry estimates Belarus could sell emission rights for between USD 50 and 300 per ton for a five-year period. Belarus would need to adopt new legislation to allow this sale, which he thought could happen quickly. However, he admitted there is no international mechanism in place for trading emission rights, either bilaterally or in a Kyoto Protocol pool. Apatskiy said Belarus will soon propose a trading system under the Kyoto Protocol for selling pollution rights, hopefully to be operating place by May 2006.

Falling Population Good for Carbon Sequestration  
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¶4. (SBU) The GOB is also interested in the possibility of making money by selling carbon sequestration rights, although it was clear the Ministry of Natural Resources had not spent much time considering this topic. Apatskiy stated that 38 percent of Belarus is covered by forests, and that this had grown by three percent in the last decade. He added that Belarus' bogs are also growing, and

they are believed to draw more carbon from the atmosphere per hectare than do trees. [Comment: Belarus has a falling population, which is increasingly moving to the cities. For this reason farmland has been reverting to forest for several years. President Lukashenko is trying to reverse this trend, but it is too soon to know how successfully.]

#### Belarus Beginning to Look into Alternative Energy

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¶5. (U) Driven by its overwhelming dependence on Russia for energy (as much as 93 percent of Belarusian energy is imported from Russia), Belarus is starting to look into alternate sources of fuel. The GOB is converting some factories and heating plants to use domestically available peat and firewood. Apatskiy said Belarus is currently only using three to five percent of available hydropower, and is looking to greatly expand the use of wind power. Belarus has windmills at two test sites, a 600 kilowatt windmill complex at Narach and a 250 kw complex near Dzerzhinsk. The Ministry of Natural Resources expects to receive money in 2006 and 2007 to expand wind power, and Apatskiy claimed Belarus has 1,840 potential sites where the average wind speed is between two and six meters per second. His ministry is also looking into using biomass (mainly chicken and cow dung) to produce methane. The ministry is currently drafting legislation that would offer tax breaks for use of alternate energy sources. Apatskiy expected this would be considered in parliament in 2006.

¶6. (U) However, recent Belarusian legislation has allowed a loosening of some environmental protections. Apatskiy admitted that previously Belarus had a law that limited the growth in greenhouse gas emissions to 0.14 percent for every percent increase in GDP. Recently the GOB raised the limit to allow emissions to grow 0.2 percent for every point of GDP growth.

¶7. (SBU) Comment: Apatskiy and his ministry seem unduly optimistic that Belarus can cash in on the Kyoto Protocol. Signing the protocol was painless for Minsk given its drop in greenhouse emissions after the fall of the USSR, and likely won the country some international goodwill. However, with no mechanism in place to regulate the trade in pollution rights, Belarus is unlikely to benefit from its earlier economic collapse any time soon.

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